

## Message Text

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14-10

ACTION ABF-01

INFO OCT-01 EUR-12 IO-10 ISO-00 FS-01 OPR-02 A-01 FRB-03

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R 1406448 MAR 75

FM AMEMBASSY BUDAPEST

TO RUEHC/SECSTATE WASHDC 2819

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMCONSUL MUNICH

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: EFIN, UR, CZ, BU, HU, COMECON

SUBJ: REVALUATION OF OFFICIAL RUBLE EXCHANGE RATE

1. ECONOMIC DAILY VILAGGAZDASAG REPORTS MARCH 11 SIZEABLE  
DEVALUATION OF OFFICIAL EXCHANGE RATES FOR HUNGARIAN FORINT  
AND CZECH CROWN VIS-A-VIS RUBLE TO BE EFFECTIVE MARCH 8.  
IN ADDITION ARTICLE ALSO REPORTS LARGE UPWARD REVALUATION  
OF OFFICIAL EXCHANGE RATE FOR BULGARIAN LEVA VIS-A-VIS  
RUBLE. ACCORDING TO VG THESE CHANGES IN RATE OFFERED BY  
SOVIET STATE BANK FOR AFFECTED CURRENCIES HAVE BEEN  
CARRIED OUT WITHIN FRAMEWORK OF AN AGREEMENT BETWEEN  
CEMA MEMBER COUNTRIES. OLD AND NEW RATES PLUS PERCENTAGES  
ARE AS FOLLOWS:

NEW RATE	OLD RATE	PERCENTAGE OF CHANGE
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100 HUNGARIAN FORINTS	6.16	7.67	MINUS 20
100 CZECH CROWNS	10.00	12.50	MINUS 20
100 BULGARIAN LEVAS	111.11	76.82	PLUS 44

2. THIS CHANGE OF CURRENCY PARITIES SECOND READJUSTMENT TO CEMA EXCHANGE RATES TO BE ANNOUNCED DURING PAST TWO WEEKS. ON MARCH 1 MAJOR SHIFTS IN NON-COMMERCIAL RATE FOR FORINTS VIS-A-VIS OTHER CEMA COUNTRIES WENT INTO EFFECT. AT THAT TIME NON-COMMERCIAL RATE FOR FORINT AGAINST RUBLE CHANGED FROM ONE RUBLE EQUALS 13.11 FORINTS TO ONE RUBLE EQUALS 14.75 FORINTS, AN EFFECTIVE FORINT DEVALUATION OF 12.5 PERCENT. EMBASSY HAS NOT YET BEEN ABLE TO DETERMINE WHETHER OR NOT FORINT EXCHANGE MULTIPLIER FOR RUBLE, WHICH WE UNDERSTAND HAS REMAINED AT RATE OF ONE RUBLE EQUALS 40 FORINTS SINCE ITS INTRODUCTION IN 1968, HAS BEEN SHIFTED TO REFLECT CHANGES IN OFFICIAL AND NON-COMMERCIAL RATES.

3. COMMENT: UPWARD REVALUATION OF RUBLE NON-COMMERCIAL EXCHANGE RATE FOR FORINT WILL CLEARLY HAVE RATHER LIMITED IMPACT AFFECTING PRIMARILY TEMPORARY HUNGARIAN VISITORS TO USSR AND SOVIET TRAVELERS TO HUNGARY. SIGNIFICANCE OF LARGE CHANGE IN OFFICIAL RATE LESS CLEAR AS EMBASSY HAS NOT YET BEEN ABLE TO ASCERTAIN WHAT ROLE OFFICIAL RATE ACTUALLY PLAYS IN SOVIET-HUNGARIAN EXCHANGES. ONE PROBABLE EFFECT OF THE CHANGE WILL BE A STATISTICAL ONE AS IT IS LIKELY THAT PRIMARY ROLE OF OFFICIAL EXCHANGE RATE THAT OF AN ACCOUNTING DEVICE. THUS, PARITY CHANGE COULD MAKE APPARENT VALUE OF HUNGARIAN-SOVIET TRADE 20 PERCENT HIGHER WHEN SUCH TRADE, ORIGINALLY CALCULATED IN RUBLES IS RECONVERTED INTO FORINTS. THIS WOULD MAKE HUNGARIAN-SOVIET TRADE, AT LEAST FROM A STATISTICAL POINT OF VIEW, A LARGER PERCENTAGE OF HUNGARY'S OVERALL FORINT TRADE THAN WAS THE CASE IN 1974. LARGE INCREASES IN TOTAL VALUE OF HARD CURRENCY EXPORTS AND IMPORTS DUE TO WESTERN INFLATION AND RAPID INCREASE IN VOLUME OF WESTERN IMPORTS IN 1975 CAUSED DOLLAR TRADE TO JUMP CONSIDERABLY LAST YEAR TO POINT WHERE IN VALUE TERMS CALCULATED IN FORINTS IT CONSTITUTED APPROXIMATELY 46.1 PERCENT OF OVERALL TRADE. (CENTRAL STATISTICAL OFFICE REPORTS TOTAL HARD CURRENCY TRADE TO LIMITED OFFICIAL USE

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BE 45.08 BILLION DIVISA FORINTS WHILE RUBLE TRADE WAS 52.59 BILLION DFT.) RUBLE REVALUATION SHOULD HELP TO REDUCE THIS PROPORTION.

4. REAL EFFECT UPON HUNGARIAN GOODS EXCHANGES WITH SOVIET UNION HARDER TO ASCERTAIN. UPWARD REVALUATION OF RUBLE COULD MEAN THAT HUNGARIANS MIGHT

BE ASKED TO DELIVER STILL MORE GOODS TO USSR IN EXCHANGE  
FOR SOVIET EXPORTS;  
PLACING AN EVEN HEAVIER BURDEN ON A HUNGARIAN ECONOMY  
ROCKED BY THE RECENT CHANGES IN CEMA PRICES, AND STRUGGLING  
TO RECOVER FROM LAST YEAR'S \$600 MILLION HARD CURRENCY  
TRADE DEFICITS. WHILE IT WOULD SEEM MORE LIKELY SOVIETS WOULD  
WISH TO AVOID CREATING FURTHER DIFFICULTIES FOR HUNGARIAN  
ECONOMY AT THIS JUNCTURE BY USING EXCHANGE RATE TO REDUCE  
VALUE OF HUNGARIAN IMPORTS, SUCH A POSSIBILITY CANNOT BE  
COMPLETELY DISCOUNTED. EMBASSY WILL MAKE AN EFFORT TO  
OBTAIN ADDITIONAL HUNGARIAN COMMENT ON THIS PARTICULAR  
POINT.

5. EMBASSY IS NOT FAMILIAR WITH SPECIFIC AGREEMENT  
BETWEEN CEMA COUNTRIES UNDER WHICH EXCHANGE RATE CHANGES  
WERE REPORTEDLY CARRIED OUT AND WOULD APPRECIATE ANY  
INFORMATION CONCERNING SUCH AN AGREEMENT WHICH ADDRESSEE  
POSTS MIGHT BE ABLE TO PROVIDE.  
PEDERSEN

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\*\*\* Current Handling Restrictions \*\*\* n/a

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